

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 7/23/2013	(3) CONTACT/PHONE Diana Haines, Utility Coordinator (805) 781-4776	
(4) SUBJECT Submittal of a resolution authorizing the Public Works Director to execute agreements with the Cities of Arroyo Grande and Pismo Beach for the purpose of transferring underground utility allocations (Tariff Rule 20A). All Districts.			
(5) RECOMMENDED ACTION It is our recommendation that your Honorable Board adopt the attached resolution authorizing the Public Works Director to execute agreements on behalf of the County with the Cities of Arroyo Grande and Pismo Beach for the purpose of transferring Tariff Rule 20A allocations.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts -			

Reference: 13JUL23-C-2

County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works / Diana Haines, Utility Coordinator (805)
Paavo Ogren, Director of Public Works

DATE: 7/23/2013

SUBJECT: Submittal of a resolution authorizing the Public Works Director to execute agreements with the Cities of Arroyo Grande and Pismo Beach for the purpose of transferring underground utility allocations (Tariff Rule 20A). All Districts.

RECOMMENDATION

It is our recommendation that your Honorable Board adopt the attached resolution authorizing the Public Works Director to execute agreements on behalf of the County with the Cities of Arroyo Grande and Pismo Beach for the purpose of transferring Tariff Rule 20A allocations.

DISCUSSION

Background Rule 20A Projects

Rule 20A is a tariff that was put in place in the late 1960's / early 1970's by the California Public Utilities Commission (CPUC), and mandates that certain public utilities spend a designated amount of their annual income on converting existing overhead lines to underground facilities. The projects that are selected for undergrounding are chosen by local governments and must meet certain criteria set by the CPUC such as areas where there are heavy concentration of overhead electric facilities, high volume of pedestrian or vehicle traffic, areas of unusual scenic interest to the general public, etc.

As part of the Rule 20A, the CPUC authorizes PG&E to distribute credits ("allocations") to each local agency which can be used to pay for Rule 20A underground projects. Each year local agencies earn an annual allocation of "credits" based on an equation developed by PG&E which factors in the amount of overhead and underground lines within each agency's boundary.

When Rule 20A funds are used on an undergrounding project, PG&E usually acts as the lead for planning, design and construction, of the project. PG&E provides an annual cost estimate for each project and provides this information in an annual letter to each agency. PG&E will not move an existing project forward into final design or construction unless the agency has an allocation balance sufficient to cover the cost estimate provided in PG&E's annual letter. At this time, the cities of Arroyo Grande and Pismo Beach have insufficient allocations to complete existing projects and are requesting the use of some of the County's allocations.

Current Credit Allocation/Credit Transfer

In 2010, PG&E began to reduce the annual allocations distributed to all local agencies by approximately half of what was previously earned. As a result, several of the cities within San Luis Obispo County found themselves without sufficient allocations to complete their existing projects. The cities within San Luis Obispo County responded in one of three ways: Reduce the scope of the project, delay project until additional allocation credits accumulate, or seek credits from other agencies.

According to PG&E, there are no rules against loaning or granting allocations from one local agency to another. In fact, they have suggested this practice as an option for projects belonging to smaller local agencies to be completed in a timely manner. Historically, PG&E has allowed the County to grant allocations to other local agencies once an agreement between the local agencies has been made. A summary of the allocations loaned or granted by the County to Cities since 1996 is listed in the table below (no records found prior to 1996).

History of County granting or loaning allocations since 1996				
Year	City	Project	Allocation Amount	Resolution
1996	Arroyo Grande	Grand Ave: Phase 1 Hwy 101 to Halcyon (complete)	\$75,000 (grant)	Reso 96-469
1999	Arroyo Grande	Grand Ave: Phase 1 Hwy 101 to Halcyon (complete)	\$100,000 (grant)	Reso 99-330
2002	Arroyo Grande	Grand Ave: Phase 2 Oak Park to Elm (in construction)	\$250,000 (grant)	Reso 2002-168
2010	San Luis Obispo	Broad Street: Phase 1 Orcutt Rd to Tank Farm Rd (complete)	\$900,000 (loan)	Reso 2010-206

These prior transfers were either relatively small value transfers (Arroyo Grande transfers) or part of a joint County/City project with transfer repayments (San Luis Obispo). These transfers also occurred before the recent reductions in the allocations from PG&E. As a result, staff believes that the County's ability to provide future allocations for City projects will be constrained, and have met with the Cities to determine existing needs that may be addressed.

Request from the City of Arroyo Grande

In 1990, the Arroyo Grande City Council approved a three phase underground district project along Grand Avenue between Highway 101 and Oak Park Blvd. The first phase (Highway 101 to Halcyon) was completed in 2000. The second phase (Oak Park Blvd. to Elm Street) is currently in construction. Between 1996 and 2002, your Board has authorized a total of \$425,000 in allocations to be granted to the City of Arroyo Grande for the first two phases of the Grand Avenue underground utility project. Attachment "F" indicates the chronology of this project and fund support request to the County.

In 2010, the City approached the County once again for assistance in covering the cost using County allocations of the third phase of this underground district (Elm Street to Halcyon Road). It is expected that the City will need to use all of their current allocations to cover the cost of the Phase 2 project and will need the County to cover the full cost of Phase 3, if it is to be completed. A summary of the City's original request and reaffirmation of their original request is included with this Board letter as Attachments "B and D," respectively.

In order to prepare to bring the current request from the City of Arroyo Grande to your Board for consideration, in January 2013 County Public Works Department staff solicited feedback from other local agencies regarding their interest in borrowing allocations from the County. A letter (Attachment "A") was sent out to all cities requesting that any city that was interested in requesting allocations from the County for their underground utility projects make their intentions known so all requests could be evaluated at the same time. Besides receiving a letter from the City of Arroyo Grande reaffirming their original request (Attachment "D"), City of Pismo Beach was the only city that responded (Attachments "C").

Request from the City of Pismo Beach

In 2006, the City of Pismo Beach established an underground utility district along Shell Beach Road/Price Street from Spyglass Drive to Dolliver Street. When the annual allocations were reduced in 2010, the City reduced the total scope of the project in half to fit the allocation balance they had at the time. Also, through several discussions and site visits with the involved utility companies, a number of issues were identified that required the City to become the lead agency on the project, including a large streetscape project planned to connect to the Bob Jones trail, and known presence of contaminated soils. The phase of the project that is the focus of the City's current request for County assistance is along Shell Beach Road between Terrace Avenue (Shell Beach Elementary) and Cliff Avenue (Dinosaur Caves Park).

The City has been working with PG&E on a cost estimate in allocations needed to complete this underground district project. The current cost estimate shows \$3.2M in allocations needed for PG&E to complete their portion of the underground work. As described in Attachment "C," the City currently has \$1.2M in allocations and has requested a loan of \$2M in allocations from the County to help cover the cost of the undergrounding.

Impact of Requests on County Allocations and County Underground Districts

As of March 2013, the County of San Luis Obispo has an allocation balance of \$10,704,539. Currently, the County has three active underground utility district projects.

1. Underground District #27 – Broad Street is a joint project with the City of San Luis Obispo, located on Broad Street between Orcutt Road and Fire House Lane which completed construction in May 2013 and currently is in project close-out. The current cost estimate in County allocations for this two-phase project is \$2,523,951 and will likely be subtracted from the current allocation balance in 2014.
2. Underground District #28 – Los Osos Valley Road located on Los Osos Valley Road between Oak Ridge Drive and the San Luis Creek. The current cost estimate in County allocations for this project is \$2,491,984 and will likely be subtracted from the current allocation balance in 2016.
3. Underground District #29 – Santa Margarita located on El Camino Real between Wilhelmina Street and Estrada Road. The current cost estimate in County allocations for this project is \$793,254 and will likely be subtracted from the current allocation balance in 2018.

A table summarizing the allocation balance for these (3) projects is shown in Attachment "E."

In addition, our department intends to bring two additional underground Districts to your Board for adoption this summer. The Districts would be:

1. San Luis Street, Avila Beach
2. South Bay Blvd, Los Osos

Allocation of credits on these Districts would not be incurred until after 2017.

The County's projected allocation balance in year 2018 will be \$7,904,342. This includes the addition of the projected annual allocations earned by the County as well as the current year cost estimate provided by PG&E for the above projects subtracted from the allocation balance.

A detailed cost analysis table is included with this Board letter as Attachment "E." The analysis indicates that if the allocation requests were granted, there would be minimal impacts to County underground utility district projects until 2021. Factors that will influence the actual credit allocation balance include:

- Adjustments in project priority lists
- Large fluctuations in PG&E cost estimates, generally increasing each year
- Variations in the amount of credits local agencies earn each year, generally decreasing

Consideration for Implementation of Agreements

County staff has met with staff of the Cities of Arroyo Grande and Pismo Beach to discuss terms of an agreement with the Cities for the transfer of County Rule 20A allocations to the Cities of Arroyo Grande and Pismo Beach. Each Agency's staff has agreed that we would recommend that the Cities will pay a 5% lump sum in of the requested Rule 20A allocation amount. This 5% amount was determined since CPUC rule changes have also recently increased the local agency costs for Rule 20A projects. As a result, the transfer of PG&E allocations from the County to the Cities will help ensure completion of City projects, and the transfer of the 5% cash payment to the County will help cover our local cost on County projects.

The actual amounts of the funding vary due to final costs for construction by PG&E. In order to deal with the potential funding level revisions, we would seek the implementation of the agreement be done by the Public Works Director.

Conclusion

Based on the discussion above, we would recommend that your Board adopt the attached resolution authorizing the Public Works Director to execute agreements on behalf of the County with the Cities of Arroyo Grande and Pismo Beach for the purpose of transferring Tariff Rule 20A allocations.

OTHER AGENCY INVOLVEMENT/IMPACT

The Cities of Arroyo Grande, and Pismo Beach, and all affected utility companies were notified of these matters. At their regular meeting on July 9, 2013, the Arroyo Grande City Council approved the conditions for an agreement with the County to purchase County Rule 20A allocations at the terms discussed in this Board letter. As of the time of finalizing this Board letter, the Pismo Beach City Council had agendaized an item for their regular meeting scheduled for July 16, 2013 to consider the conditions to purchase County Rule 20A allocations at the terms discussed in this Board letter, with

City staff recommending approval. The Underground Utility Coordination Committee, the multi-agency coordination body overseeing Rule 20A projects, has reviewed the proposed transfer but has not taken a position.

County Counsel has reviewed the resolution for legal form and effect.

FINANCIAL CONSIDERATIONS

The City of Arroyo Grande has requested \$3M in Rule 20A allocations and will make a cash payment of 5% of the allocated amount (\$150,000) to the County in exchange for these allocations. The City of Pismo Beach has requested \$2M in Rule 20A allocations and will make a cash payment of 5% of the allocated amount (\$100,000) to the County in exchange for these allocations. If the PG&E cost estimates increase such that more allocations will be needed by the Cities to complete their designated Rule 20A project, the Cities may request more allocations from the County of the allocation amount. The final amount of County allocations that can be transferred under these agreements is left to the sole discretion of the Director of Public Works and is permissible to be up to 30% over the requested amounts of \$3,000,000 and \$2,000,000 as requested by the Cities of Arroyo Grande and Pismo Beach respectively. If each City's underground utility district is completed using less allocations than transferred, the City will return the unused allocations and the County will provide a cash refund of the pro-rated difference. The Cities will each remain responsible for all project management for their respective projects. Payments made to the County will be deposited into a sub-fund in Public Works ISF designated for Tariff Rule 20A future expenditures, as coordinated with the Administrative Office and the Auditor Controller's Office.

Cash payment funds collected by the County from the Cities of Arroyo Grande and Pismo Beach may be used to cover the cost for the County to manage the County's own Rule 20A projects in the future, to keep the program moving forward, and continue to benefit the unincorporated communities with underground utility districts. Currently, costs for staff time to coordinate with PG&E and perform our responsibilities to manage the County underground district projects are being funded through a portion of the Public Works Department's Services to Special Districts fund. Public Works will return to your Board in the future for authorization to spend the designated Tariff Rule 20A funds as needs arise for future County Underground Utility Districts.

Except for limited costs for Public Works Department staff time, there is no expenditure of County funds involved in this action.

RESULTS

Consideration of grant allocations fosters positive interagency relationships and supports the Public Works goal of providing functional facilities that ensure the quality of life for the communities of San Luis Obispo County. Implementation of these underground utility projects will result in a safer, more livable community.

Providing allocations to either or both cities will not result in the County taking ownership or leadership of either City project. Each City will continue to be responsible for their own project.

File: CF 390.10.01

Reference: 13JUL23-C-2

ATTACHMENTS

1. Vicinity Maps
2. Attachment A - Example Letter to Cities
3. Attachment B - City of Arroyo Grande letters, Feb 2013 and May 2013
4. Attachment C - City of Pismo Beach letters, Feb 2013 and June 2013
5. Attachment D - City of Arroyo Grande letters, June 2010
6. Attachment E - Allocation Analysis Table
7. Attachment F - Chronology of City of Arroyo Grande Underground Districts
8. Resolution Establishing the County of San Luis Obispo Signing Authority for all Allocation Disbursement Agreements with the Cities of Arroyo Grande and Pismo Beach for Tariff Rule 20A Projects